



Grand Rapids Area
Chamber of Commerce



Michigan
Manufacturers
Association



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Focusing the power of small business.

Testimony of
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David Jessup, Small Business Association of Michigan
Andy Johnston, Grand Rapids Area Chamber of Commerce
House Health Policy Committee
March 22, 2012

Thank you Madame Chair and members of the committee for allowing us to speak to you today to give you about the perspective of the business community on Senate Bills 540 and 541 and House Bills 5132 and 5133.

My name is Delaney Newberry and I am Director of Human Resource Policy for the Michigan Manufacturers Association. MMA represents about 2,500 members that operate in the full spectrum of manufacturing industries, ranging from small manufacturers to some of the world's largest corporations. Manufacturing continues to be the largest sector of our economy, directly employing over 500,000 Michigan residents.

Good morning madam chair and members. My name is Dave Jessup and I serve as the Director of Government Relations for the Small Business Association of Michigan. SBAM represents a diverse membership of over 13,500 small businesses statewide. I appreciate the opportunity to come before you today to present a small business perspective on this package of bills.

Good morning. My name is Andy Johnston and I am Vice President of Government Affairs for the Grand Rapids Area Chamber of Commerce. We represent 3,000 job providers of every size and type in West Michigan and our membership provides hundreds of thousands of jobs to Michigan residents.

Delaney Newberry

First I'd like to mention that Wendy Block from the Michigan Chamber was not able to be here today to join us in speaking with you but she asked us to relay to you that she and the Michigan Chamber's 6,800 members fully support our testimony today and join us in opposition to the legislation before you.

On behalf of job providers in Michigan, we are here to speak in opposition to the legislation before you because the bills will ultimately make health care in Michigan less accessible and less affordable. To begin, I'd like to speak about one of the most concerning aspects of this legislation and that is the cost-shift to employers and an overall increase in healthcare premiums at a time when job-providers are already facing sky-rocketing health insurance costs.

In recent years, many of our members have experienced rate increases in excess of 30- to 40-percent due to medical inflation and the new federal health care law. Additionally, just this year the new Health

Insurance Claims Act (HICA) tax added 1% of all claims paid to the cost of employer-provided health care in Michigan. These additional costs come as deadlines for the implementation of Federal health care reform loom, creating uncertainty for manufacturing employers. The 2011 annual Manufacturing Survey indicates 80 percent of members are "Concerned" or "Extremely Concerned" with the cost of healthcare. So MMA reviews very closely any legislative proposals that may impact the cost of healthcare for manufacturers.

Pharmaceutical drugs make up a significant portion of the cost of health care coverage and high-cost specialty drugs make up a fast-growing component of health care costs. SB 540 and 541 and HB 5132 and 5133 would impose limits on how health plans administer benefits for oral chemotherapy drugs and intravenous chemotherapy medications. As previous speakers have indicated, all health plans in the state of Michigan already cover these drugs, typically under the Tier 2 pharmacy benefit. The limitations included in the legislation on the enrollee cost-sharing requirement portion of the drug cost do nothing to change the cost of the drug itself – they simply shift a larger portion of the cost to the employers' premium.

Information that has been presented by insurance carriers has been clear. There are very different costs associated with IV chemotherapy and oral chemotherapy drugs. So to our members, this is a clear example of government price controls. The bills do not impact the underlying price of the drug; that cost doesn't evaporate. What we have is a government mandated shift in the responsibility for carrying the burden of the cost to the employer.

Another important consideration in this legislation is the fact that the impact of mandates is not felt equally among all businesses. I'd like to hand it over to Dave Jessup to talk a little bit about how mandates impact small businesses and the relationship that we've seen between rising healthcare costs and the drop in employer-sponsored health insurance.

Dave Jessup

SBAM stands opposed to House Bill 5132, 5133 and Senate Bills 540, 541. While SBAM supports measures that help lower costs of care and allow increased access to treatment options generally, we oppose any attempt to accomplish this through an insurance mandate. State enacted insurance mandates are a uniquely small business issue due to the fact that medium to large sized firms are governed by federal regulations and thus able to claim an ERISA exemption from any and all state mandates. This exposes two fundamental flaws inherent to any insurance mandate:

At best, one-third of the population will be affected by coverage under a mandate. Every Michigander with Medicaid and MI Child, every uninsured, every state worker and generally every employee of a company with more than 100 employees will be left behind under this plan.

With large self-insured companies exempted, the financial burden will exclusively fall on small business owners and individuals and will at a minimum, mean increases in co-premiums, co-pays and deductibles.

Mandated parity hits small businesses and those purchasing policies on the individual market the hardest. These are the citizens who are most vulnerable to the already rising cost of healthcare and least able to afford the increases in premiums that will be experienced under mandated coverage. These are small businesses, the economic engine that is helping to drive Michigan's economic comeback

through entrepreneurship and job creation. Healthcare costs, as Delaney explained, are skyrocketing due to medical inflation and the new federal healthcare program. A cost-shift resulting from an insurance mandate will exacerbate this very troubling issue facing small business owners daily.

The legislation could make it more expensive for individual consumers as well. Because it is impossible to predict all the possible variations of health plans that exist, the legislation could potentially result in some enrollees paying high out-of-pocket costs for drugs depending on how their individual plan was designed.

On average our members pay over \$9,000 per year per employee for health insurance and premium increases are still averaging double digits. Pharmaceuticals represent one of the biggest cost drivers in healthcare today. Specialty drugs, in particular, make up the fast growing component of these costs. These costs won't just vanish under a mandate. Rather, they will be shifted to small business owners.

Today, the number of Michigan companies with fewer than 50 employees offering health insurance has dipped under 39 percent, which is down 5.4 percent in the last two years. Resources are scarce for small business owners, and when faced with mounting health insurance costs, more and more employers are opting not to offer insurance benefits at all. This hurts Michigan's economic competitiveness and encumbers talent recruitment, all while sending a signal that will discourage entrepreneurs from choosing Michigan to start their business.

Thanks you for your attention and thoughtful consideration on the important issue. Now I will turn it over to Andy Johnson.

Andy Johnston

I am here this morning to voice the Grand Rapids Area Chamber of Commerce's opposition to any new mandated health insurance benefits, including Senate Bills 540 and 541 and House Bills 5132 and 5133, legislation to mandate parity in coverage for oral chemotherapy drugs.

As you've heard from my colleagues in the business community, the cost of this proposal – and any new health insurance mandate for that matter – is our primary concern. We are also opposed to SBs 540-51 and House Bills 5132 and 5133 because, out of principle, we do not believe government should interfere in decisions that are made via contract between insurance companies and pharmaceutical companies, or in the workplace between employers and employees. At the core, we oppose health insurance mandates because we believe employers and employees should decide, free of government interference, what diseases, medical conditions and other benefits to include in their health insurance coverage. Ultimately, they know best what they can afford and what they may or may not want covered.

We do not agree that there should be a special exception made for oral chemotherapy drugs, especially when we see that the free market is working. We would also add that this mandate is unique in that it interferes with private contracts almost to the extent of micromanagement. In other mandates, the government is requiring coverage. In this mandate, coverage is already required and the government is now dictating how private companies classify their products and how they price those products in comparison to each other. This is excessively intrusive and we question if it will even address the problem this legislation seeks to solve, given the population a mandate impacts.

Governmental intervention in purchasing decisions and contractual agreements is always dangerous. Already this year we have seen two bills reported out of the Senate to add new health insurance mandates to the books – the oral chemo mandate and Senate Bills 414 and 415, an autism spectrum disorder mandate. By opening this Pandora's Box, proponents of various health insurance mandates see indications that lawmakers are willing to pick winners and losers in the battle for special treatment under Michigan's insurance laws. But where do you draw the line? How do you say "no" to those next in line for special coverage of their state-of-the art drug (i.e., chemotherapy is not the only drug with an oral equivalent)?

In closing, we ask you to stay focused on the efforts that have already been made this Legislative Session to limit special treatment, encourage choice in the marketplace, reduce governmental interference in the workplace, eliminate top-down government mandates and work to make health care more affordable. We ask that you vote NO on Senate Bills 540 and 541 and House Bills 5132 and 5133 and urge you stay focused on less government control, not more, and less top-down mandates, not government price controls or interference in private contracts.

Thank you for your time this morning. We'd be happy to answer any questions that you may have.

Comparison of Claim Payments

Scenario A – Medical Claim

- Cost of drug - \$2,000/ mo.
- Annual Medical Plan Deductible
 - \$1,000 individual
 - \$2,000 family
- Annual Medical Plan Co-Insurance (80%/20%)
 - 20% to \$2,500 individual, \$5,000 family
- Out of Pocket Cost (deductible plus co-insurance)
 - \$3,500 Individual annual
 - \$7,000 family annual

Scenario 2 – Rx Claim

- Cost of drug - \$2,000/ mo.
- Pharmacy Co-Payment
 - \$10 Tier 1
 - \$40 Tier 2
 - \$80 Tier 3
- Out of Pocket Cost
 - \$480 annual (\$40 per month X 12 months)

